

Internal Revenue Service

Department of the Treasury

**District
Director**

1100 Commerce St., Dallas, Texas 75242

Date:

Person to Contact:

Telephone Number:

Refer Reply To:

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986.

The information presented indicates that you were organized on [REDACTED]. Your Articles of Incorporation state you are organized exclusively for charitable, educational or religious purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code of 1986.

You state that your organization will provide various charitable services such as: securing surgical aid for needy persons, assistance for dental care, assistance for purchasing eyeglasses, refurbishing homes for needy elderly persons, and raising matriculation fees for needy seminary students.

The information presented indicates the board of directors of your organization is comprised of family members and a long-time friend. There is no indication of a broad based governing board for decision making. You also state these charitable activities were funded by the founder and his wife in the past. Another of the primary activities includes the publishing of literature by the founder. This literature from the past, and currently in process, has been and will be published and sold commercially.

Section 501(c)(3) of the Code provides exemption for:

Corporations...organized and operated exclusively for religious, charitable, or educational purposes...all part of the net earnings of which inure to the benefit of any private shareholder or individual...

Section 1.501(c)(3)-1 of the Income Tax Regulations provides that an organization is organized exclusively for one or more exempt purposes only if its Articles of Organization -

- A. Limit the purposes of such organization to one or more exempt purposes; and
- (B) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations provides that all the organizations there described must serve a public rather than a private interest.

A charitable organization must be set up for the benefit of an indefinite class of individuals, not for specific persons. You stated the majority of individuals you selected to provide aid to are relatives, family members, or long-time friends. The newsletter you distribute periodically is mailed only to family and friends. This selection of individuals does not constitute an indefinite class. The private concerns of the founders outweigh any public concern.

Revenue Ruling 56-304, 1956 2 C.B. 306, provides organizations are not precluded from making distributions of their funds to individuals, provided such distributions are made on a true charitable basis in furtherance of the purposes for which they are organized. However, organizations of this character which make distributions should maintain adequate records and case histories to show the name and address of each recipient of aid, the amount distributed to each; the purpose for which the aid was given; the manner in which the recipient was selected and the relationship, if any, between the recipient and (1) members, officers, or trustees of the organization, (2) a grantor or substantial contributor to the organization or a member of the family of either. In essence, an organization must be engaged in activities furthering 'public' purposes rather than private interests.

Regarding the publication of literature prepared by one of the founders, and its subsequent circulation. Revenue Ruling 55-231, 1955 1 C.B. 72, provides that organizations who promote the circulation of books of one of its incorporators and whose activities consist of purchasing such works and making them available for public use, is not organized and operated exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954 or for any of the other purposes provided therein.

Based on the factors discussed above and the information submitted with your application for exemption, we have concluded that [REDACTED] is not organized and/or operated exclusively for section 501(c)(3) purposes because the advancement of the private interest of its founders and members is more than incidental when compared to charitable benefits accruing to the general public.

Therefore, we conclude that you do not qualify for exemption from Federal income tax under section 501(c)(3) of the Code.

You are required to file Form 1120, U.S. Corporate Income Tax Returns.

Contributions to your organization are not deductible under section 170 of the Code.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Code as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

Sincerely,

Enclosures:
Publication 892
Form 6018